

TOWNSHIP OF MARKEY
ROSCOMMON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Markey Township[County Roscommon
Fiscal Year End March 31, 2006	Opinion Date June 1, 2006	Date Audit Report Submitted to State November 3, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

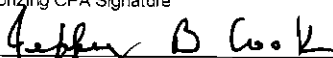
YES
NO

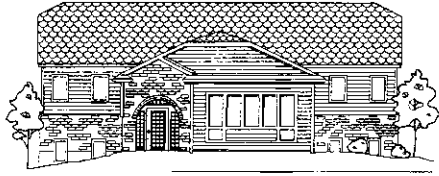
Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Keskine, Cook, Miller & Alexander LLP		Telephone Number 989-732-7515		
Street Address 100 West First Street		City Gaylord	State MI	Zip 49735
Authorizing CPA Signature 		Printed Name Jeffrey B Cook		License Number 1101011876



Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

June 1, 2006

To the Township Board
Township of Markey, Roscommon County

We have audited the financial statements of Markey Township for the year ended March 31, 2006, and have issued our report thereon dated June 1, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Markey Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Markey Township are described in the notes to the financial statements.

We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached pages summarize the adjustments that were proposed to management and made to the audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

The financial records of Markey Township were well organized and we are happy to report that there were no difficulties in performing the audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of Markey Township, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit procedures, we became aware of certain matters that represent opportunities for strengthening internal controls and operating efficiency. The following comments and recommendations should be implemented to the extent possible in order to strengthen internal controls and operating efficiency.

- Currently, the Township Treasurer is properly reconciling the bank accounts on a monthly basis; however, nobody is reviewing those reconciliations. Even with the controls built-into the segregation of duties between the Treasurer and Clerk, there remains an opportunity for the Township Treasurer to misappropriate Township funds and conceal the improprieties by manipulating the bank reconciliation. We recommend that another member of the Board review the Treasurer's bank reconciliations on a monthly basis.

- The Township has appropriately established a credit card policy, but no credit limit was included in the policy. Without having a credit limit established within the Township's policy, the opportunity exists for a Township employee to raise the credit limit and misuse the Township's credit card above and beyond a level as originally intended by the Township. We recommend that the credit card policy be amended to include a maximum credit limit allowed on the Township credit cards and that the credit card companies be notified of the limit and directed to not increase credit limits beyond the Township's specified limit.
- During the implementation of GASB 34 in the year beginning April 1, 2003, a capitalization policy should have been adopted that stated the threshold amount of purchases that would be capitalized by the Township, along with the estimated useful lives of the Township's assets. During this current audit, we discovered that no formal capitalization policy was ever established; although a \$1,500 capitalization threshold and estimated lives were informally established by management. We recommend that the Township Board formally adopt a capitalization policy outlining both the capitalization threshold and estimated useful lives of assets. We have provided an example of a capitalization policy to the Township Clerk.

We hope that you find the above comments and recommendations useful. We are available to discuss these items in further detail with you at your convenience.

This information is intended solely for the information of the Township Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Keski, Cook, Miller & Alexander LLP

TOWNSHIP OFFICIALS

SUPERVISOR

CARL GEIGER

CLERK

ESTHER RONS

TREASURER

MARCIE DANKERT

ASSESSOR

JOANNE KORTGE

TRUSTEES

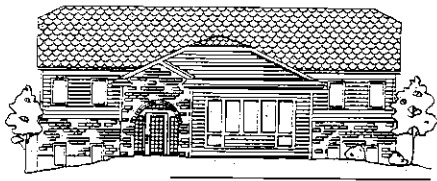
KELLY VAN-Y

JOSEPH VAN OSTENBRIDGE

TOWNSHIP OF MARKEY

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INDEPENDENT AUDITOR'S REPORT

June 1, 2006

To the Township Board
Markey Township
Roscommon County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Township of Markey, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and the major fund activity of the Township of Markey as of March 31, 2006, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on pages 23-28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskine, Cook, Miller & Alexander LLP
KESKINE, COOK, MILLER & ALEXANDER, LLP

MARKEY TOWNSHIP

Township Offices

Sanitary Drain Office

4974 E. Houghton Lake Dr.
Houghton Lake, Michigan 48629

MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED MARCH 31, 2006

This section of Markey Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Assets at March 31, 2006 totaled approximately \$2,170,000 for governmental activities and \$6,290,000 for business-type activities. Of these totals, approximately \$650,000 and \$5,000,000, respectively, represent capital assets net of depreciation.

Revenues derived from governmental activities were approximately \$1,100,000 (\$175,000 from program revenues and \$925,000 from general revenues). Overall expenses for the Township's governmental activities approximated \$909,000.

Revenues derived from business-type activities totaled approximately \$376,000 (\$340,000 from user charges and \$36,000 from general revenues). Expenditures were approximately \$289,000.

The Township has no outstanding debt. The Township purchased approximately \$18,000 in capital assets. Capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and business type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Township, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General, Fire/Ambulance, Road and Trash Funds. Sewer utility activities are treated as business-type activities where the revenues of the activity are designed to pay for the operations of the activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds: Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

Enterprise Funds: These funds represent activities in the government which are basically treated like private sector companies. These funds are designed to have revenues earned adequate to pay for the operations of the activity. These funds are presented on a full accrual method and will show no difference between the Township's government-wide statements and fund statements presentation.

Fiduciary Funds: The Township acts as a trustee and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's net assets – governmental activities increase approximately \$182,000 during the year to total \$2,138,140. Net assets for business type activities increased \$87,000 to total \$6,267,021.

Governmental Activities: The increase in net assets for governmental activities is due to an increase in property tax revenue and an increase in ambulance user charges.

Business Type Activities: The increase in net assets for business-type activities can be attributed to a slight increase in user charges.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund – This fund is used to record all activities of the Township not required to be recorded in a separate fund. The major source of revenue for the general fund is from the Township tax base and revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Township.

Fire/Ambulance Fund – This fund is used to account for the property tax collections for fire/ambulance services and charges to patients for ambulance runs. The main expenditure of this fund is the wages and fringes for fire/ambulance personnel.

Road Fund – This fund is used to account for financial transactions related to the repair and maintenance of the Township's roads. Revenues consist mainly of property taxes.

Trash Collection Fund – This fund is used to account for all financial transactions related to the Trash Collection service provided by the Township. Revenues are derived from property tax assessments.

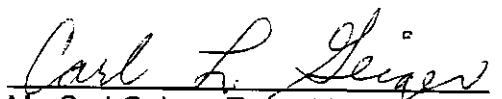
CAPITAL ASSET ACTIVITY

Capital Assets:

Additions to Township assets for this year includes a new conference table and new carpeting for the Township Hall, totaling approximately \$3,100, land improvements for a soccer field totaling \$3,000, road improvements at the cemetery totaling \$6,500 and a new lawn tractor, totaling approximately, \$5,700.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact Mr. Carl Geiger, Supervisor, at 4974 E. Houghton Lake Drive, Houghton Lake, MI 48629, or by calling (989)366-9614.


Mr. Carl Geiger, Township Supervisor

TOWNSHIP OF MARKEY
STATEMENT OF NET ASSETS
MARCH 31, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,344,351	\$ 1,104,192	\$ 2,448,543
Receivables	80,950	198,403	279,353
Capital assets:			
Nondepreciable capital assets	93,963	-	93,963
Depreciable capital assets - net	650,625	4,985,177	5,635,802
Total Assets	2,169,889	6,287,772	8,457,661
Liabilities			
Accounts payable	31,748	20,751	52,499
Net Assets			
Invested in capital assets	744,588	4,985,177	5,729,765
Restricted - Fire protection	581,534	-	581,534
Restricted - Road improvements	162,962	-	162,962
Restricted - Garbage collection	190,865	-	190,865
Restricted - Sewer utilities	-	1,281,844	1,281,844
Unrestricted	458,191	-	458,191
Total net assets	\$ 2,138,141	\$ 6,267,021	\$ 8,405,162

See accompanying notes to financial statements.

**TOWNSHIP OF MARKEY
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Business- type Activities
Primary government:					
Governmental activities:					
General government	(298,303)	26,031	-	-	-
Public safety	(311,536)	94,563	-	-	-
Health and welfare	(140,760)	-	-	-	-
Public works	(158,395)	54,546	-	-	-
Total government activities	(908,994)	175,140	-	-	-
Business-type activity					
Sewer	(288,562)	340,128	-	-	51,566
Total primary government	(1,197,556)	515,268	-	-	51,566
General Revenues:					
Property taxes					
State shared revenue (not restricted to a specific purpose)					
Interest					
Miscellaneous					
Total general revenue					
				689,510	-
				173,348	-
				33,060	35,907
				19,636	-
				915,554	35,907
Change in net assets					
Net Assets - Beginning of Year				181,700	87,473
				1,956,440	6,179,548
Net Assets - End of Year				2,138,140	6,267,021

See accompanying notes to financial statements.

**TOWNSHIP OF MARKEY
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006**

	<u>General</u>	<u>Fire/ Ambulance</u>	<u>Road</u>	<u>Trash</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 446,926	\$ 555,765	\$ 153,818	\$ 187,842	\$ 1,344,351
Receivables	11,489	45,790	9,144	14,527	80,950
Total assets	<u>\$ 458,415</u>	<u>\$ 601,555</u>	<u>\$ 162,962</u>	<u>\$ 202,369</u>	<u>\$ 1,425,301</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 224	\$ 20,021	\$ -	\$ 11,504	\$ 31,749
Fund balances					
Undesignated	<u>458,191</u>	<u>581,534</u>	<u>162,962</u>	<u>190,865</u>	<u>1,393,552</u>
Total liabilities and fund balances	<u>\$ 458,415</u>	<u>\$ 601,555</u>	<u>\$ 162,962</u>	<u>\$ 202,369</u>	<u>\$ 1,425,301</u>

See accompanying notes to financial statements.

TOWNSHIP OF MARKEY
RECONCILIATION OF THE GOVERNMENTAL FUND'S BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total fund balance - Governmental funds (per balance sheet - page 7)	\$	1,393,552
Amounts reported for governmental activities in the Statement of Net Assets (page 5) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not used in the funds		744,588
Total net assets - Governmental activities (per Statement of Net Assets - page 5)	\$	<u>2,138,140</u>

See accompanying notes to financial statements.

TOWNSHIP OF MARKEY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2006

	<u>General</u>	<u>Fire/ Ambulance</u>	<u>Road</u>	<u>Trash</u>	<u>Total</u>
Revenues:					
Property tax revenue	\$ 118,777	\$ 318,843	\$ 106,093	\$ 145,800	\$ 689,513
State shared revenue	173,348	-	-	-	173,348
Licenses and permits	54,546	-	-	-	54,546
Charges for services	26,031	94,563	-	-	120,594
Interest	15,875	10,347	2,745	4,093	33,060
Other	18,871	762	-	-	19,633
Total revenues	<u>407,448</u>	<u>424,515</u>	<u>108,838</u>	<u>149,893</u>	<u>1,090,694</u>
Expenditures:					
General government	308,350	-	-	-	308,350
Public safety	-	266,470	-	-	266,470
Health and welfare	-	-	-	140,760	140,760
Public works	66,289	-	92,106	-	158,395
Total expenditures	<u>374,639</u>	<u>266,470</u>	<u>92,106</u>	<u>140,760</u>	<u>873,975</u>
Excess (deficiency) of revenue over expenditures	32,809	158,045	16,732	9,133	216,719
Fund Balance - Beginning of Year	<u>425,382</u>	<u>423,489</u>	<u>146,230</u>	<u>181,732</u>	<u>1,176,833</u>
Fund Balance - End of Year	<u>\$ 458,191</u>	<u>\$ 581,534</u>	<u>\$ 162,962</u>	<u>\$ 190,865</u>	<u>\$ 1,393,552</u>

See accompanying notes to financial statements.

TOWNSHIP OF MARKEY
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND
 CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 MARCH 31, 2006

Net change in fund balances - Governmental activities (page 9)	\$ 216,719
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense is recorded in the government-wide statements but not in the fund financial statements	(53,365)
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	18,346
Change in net assets of governmental activities (per Statement of Activities - page 6)	\$ 181,700

See accompanying notes to financial statements.

TOWNSHIP OF MARKEY
STATEMENT OF NET ASSETS
SEWER FUND
MARCH 31, 2006

Assets	
Cash and cash equivalents	\$ 1,104,192
Receivables	198,403
Depreciable capital assets - net	4,985,177
Total assets	<u>6,287,772</u>
 Liabilities	
Accounts payable	<u>20,751</u>
 Fund net assets	
Invested in capital assets	4,985,177
Unrestricted	1,281,844
Total net assets	<u><u>\$ 6,267,021</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF MARKEY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
SEWER FUND
YEAR ENDED MARCH 31, 2006

Operating revenues	
Usage fees	\$ 250,843
Other charges	89,285
	<hr/>
Total operating revenue	340,128
Operating expenses	
General and administrative costs	162,003
Repairs and maintenance	16,758
Depreciation	109,801
	<hr/>
Total operating expenses	288,562
	<hr/>
Operating income	51,566
Nonoperating revenue - interest	35,907
	<hr/>
Change in net assets	87,473
Net assets - Beginning of Year	6,179,548
	<hr/>
Net assets - End of Year	<hr/> \$ 6,267,021 <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF MARKEY
STATEMENT OF CASH FLOWS
SEWER FUND
YEAR ENDED MARCH 31, 2006**

Cash flows from operating activities:

Cash received from customers	\$ 243,156
Cash payments to suppliers and contractors for goods and services	(128,490)
Cash payments to employees	<u>(29,478)</u>

Net cash provided by operating activities	85,188
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Cash flows from non-capital financing activities:

Receipts from special assessments	15,395
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Cash flows from investing activities:

Investment income	<u>35,931</u>
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Net increase in cash and cash equivalents	136,514
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Cash and cash equivalents at beginning of year	<u>967,678</u>
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Cash and cash equivalents at end of year	<u><u>\$ 1,104,192.00</u></u>
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Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 51,566
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	109,801
Increase in accounts receivable	<u>(76,179)</u>
Net cash provided by operating activities	<u><u>\$ 85,188</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF MARKEY
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
MARCH 31, 2006

Assets	
Cash and cash equivalents	\$ 1,247
	<u><u> </u></u>
Liabilities	
Due to other governments	\$ 1,247
	<u><u> </u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE A: ENTITY

The Township of Markey is a general law township of the State of Michigan organized in 1879, located in Roscommon County, Michigan. It operates under an elected board and provides services to its residents in many areas including public safety, community enrichment, and human services. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Markey Township.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Markey Township are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Markey Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities. Individual funds are not displayed but the statements distinguish between governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

Fund Financial Statements

Fund financial statements are provided for governmental, enterprise, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenues.

Fire/Ambulance Fund – This fund is used to account for all financial activity related to the Township's fire and ambulance services. The main source of revenue is derived from property taxes and ambulance fees.

Road Fund – This fund is used to account for the financial activity related to the repair and maintenance of Township roads. Revenues are derived primarily from property taxes.

Trash Fund – This fund is used to account for the Township's trash pick-up services. Revenues are derived from property tax assessments.

Enterprise Funds

Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.

The Township records the following major enterprise fund:

Sewer – This fund is used to account for the Township's sewer utility services. Revenues are derived from user charges.

TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

FUND TYPES AND MAJOR FUNDS (CONTINUED)

Fiduciary Funds

These funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve

measurement of results of operations. The Township maintains a tax collection fund in this category.

The Township has no non-major funds.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Enterprise and Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE B: SUMMARY OF SIGNIFICAN ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental Fund Financial Statements (Continued)

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property Taxes

The property tax calendar is as follows:

Levy Dates	July 1, 2005	(summer collection)
	December 1, 2005	(winter collection)
Due Dates	September 15, 2005	(summer collection)
	February 15, 2006	(winter collection)

The real property tax rolls were turned over to the County of Roscommon on March 1, 2006. Collection of personal property taxes remains the responsibility of the Township. Amounts collected after the due date is assessed interest and/or penalty provisions. A county revolving fund normally pays the balance of the Township's real property tax levy by May 31. The entire Township levy is recorded as revenue in the current year.

The tax rates for the year ended March 31, 2006, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	1.0926 mills per \$1,000
Fire/Ambulance	3.0000 mills per \$1,000
Road	0.9755 mills per \$1,000

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Township overspent its budget in the Trash Fund in the amount of \$3,110.

TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

BUDGET (CONTINUED)

The approved budgets of the Township for budgetary funds were adopted on a fund level using the modified accrual basis. Budgets are normally formulated during February and March and a budget hearing is held in March. The board adopts the budget prior to April 1. Amendments are made when deemed necessary. Budgets are not required for enterprise and fiduciary funds.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Computers and peripherals	1 – 3 years
Office furniture	5 – 20 years
Township vehicles	4 – 7 years
Buildings and improvements	25 – 40 years
Land improvements	10 – 20 years
Machinery and equipment	5 – 10 years
Fire Trucks and Ambulances	20 years
Fire and Ambulance equipment and peripherals	25 – 30 years

Land and construction in progress are not depreciated.

For information describing capital assets, see Note E.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE C: CASH AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated four banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs.

Markey Township's deposits and investment policies are in accordance with statutory authority.

As of March 31, 2006, the deposits and investments were reported in the basic financial statements in the following categories:

Governmental activities	\$1,344,351
Business-type activities	1,104,192
Fiduciary funds	<u>1,247</u>
	<u>\$2,449,790</u>

The Township's cash and investments consist entirely of bank deposits as follows:

Bank deposits – checking and savings accounts	\$1,663,971
Certificates of deposit	<u>785,819</u>
Total	<u>\$2,449,790</u>

Deposits

The bank balance of the Township's deposits is \$2,480,283 of which \$400,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated level are used as depositories.

TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE D: ACCOUNTS RECEIVABLE

SEWER UTILITIES

Sewer usage fees due from customers are categorized as follows:

Current	\$ 75,080
30-90 days	6,999
Over 90 days	<u>708</u>
TOTAL SEWER FUND	<u>\$ 82,787</u>

No allowance for doubtful accounts is required since delinquent accounts are added annually to the tax rolls and becomes liens on the property.

The special assessment receivable at March 31, 2006 was \$120,819.

AMBULANCE COLLECTIONS

The amount of outstanding ambulance collections due from patients at March 31, 2006 is as follows:

Accounts receivable	\$ 24,686
Allowance for doubtful accounts	<u>(7,023)</u>
Net accounts receivable	<u>\$ 17,663</u>

Management has estimated 72% of total outstanding receivables to be collectible, based on historical collectibility data.

TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE E: CAPITAL ASSETS

Capital asset activities of the Township's activities were as follows:

Governmental Activities	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
Capital assets not being depreciated - Land	\$ 93,964	\$ -	\$ -	\$ 93,964
Capital assets being depreciated:				
Land improvements	-	9,500	-	9,500
Buildings	240,422	-	-	240,422
Equipment	742,126	5,753	-	747,879
Furniture & fixtures	-	3,093	-	3,093
Subtotal	982,548	18,346	-	1,000,894
Accumulated depreciation:				
Land improvements	-	119	-	119
Buildings	90,202	6,035	-	96,237
Equipment	206,703	47,091	-	253,794
Furniture & fixtures	-	120	-	120
Subtotal	296,905	53,365	-	350,270
Net capital assets being depreciated	685,643	(35,019)	-	650,624
Net capital assets	\$ 779,607	\$ (35,019)	\$ -	\$ 744,588

Business-type activities	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
Capital assets being depreciated:				
Sewer system	\$ 7,361,638	\$ -	\$ -	\$ 7,361,638
Equipment	210,928	-	-	210,928
Subtotal	7,572,566	-	-	7,572,566
Accumulated depreciation:				
Sewer system & equipment	2,477,588	109,801	-	2,587,389
Net capital assets being depreciated	5,094,978	(109,801)	-	4,985,177

TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE E: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

Business-Type Activities

General Government	\$ 8,299	Sewer Utilities	<u>\$ 109,801</u>
Fire/Ambulance	<u>45,066</u>		
Total	<u>\$ 53,365</u>		

NOTE F: CONTINGENCIES

INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF MARKEY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenue				
Property tax revenue	\$ 120,475	\$ 120,475	\$ 118,777	\$ (1,698)
State shared revenue	173,000	173,000	173,348	348
Licenses and permits	54,000	54,000	54,546	(546)
Charges for services	26,800	26,800	26,031	(769)
Interest	5,500	5,500	15,875	10,375
Other	9,450	9,450	18,871	9,421
Total revenue	389,225	389,225	407,448	18,223
Expenditures				
Township Board:				
Salaries	7,590	7,590	7,590	-
Fringe benefits	64,900	64,900	58,399	6,501
Supplies	9,800	9,800	7,380	2,420
Professional services	4,000	4,000	2,175	1,825
Printing & publishing	2,500	2,500	2,204	296
Insurance & bonds	12,000	12,000	11,230	770
Miscellaneous	5,500	9,900	7,136	2,764
Total township board	106,290	110,690	96,114	14,576
Township Supervisor:				
Salaries	17,242	17,242	17,242	-
Supplies/travel/training	1,400	1,400	1,232	168
Total supervisor	18,642	18,642	18,474	168
Election Board	2,600	2,600	1,214	1,386
Township Assessor:				
Salaries	28,119	28,119	27,408	711
Office supplies & equipment	1,600	1,600	564	1,036
Tax roll preparation	11,400	11,400	10,887	513
Miscellaneous	1,400	1,400	795	605
Total assessor	42,519	42,519	39,654	2,865

TOWNSHIP OF MARKEY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance From Final Amended Budget</u>
Township Clerk:				
Salaries	30,168	30,168	29,561	607
Supplies/training/travel	1,800	1,800	1,580	220
Total clerk	31,968	31,968	31,141	827
Board of review	1,500	1,500	1,189	311
Township Treasurer:				
Salaries	25,667	25,667	25,801	(134)
Supplies/travel/training	2,050	2,150	2,149	1
Total treasurer	27,717	27,817	27,950	(133)
Township Hall and Grounds:				
Salaries	15,000	17,000	17,071	(71)
Operating supplies	3,000	3,000	3,666	(666)
Dues & memberships	2,000	2,000	1,952	48
Utilities	5,200	5,200	5,191	9
Mileage	1,400	1,400	1,551	(151)
Street lights	14,000	14,000	11,743	2,257
Repair and maintenance	24,600	24,600	9,666	14,934
Equipment	10,000	10,000	20,194	(10,194)
Professional services	9,000	9,000	5,170	3,830
Total township hall and grounds	84,200	86,200	76,204	9,996
Zoning	4,830	5,830	4,630	1,200
Planning Commission:				
Salaries	6,200	6,200	6,271	(71)
Miscellaneous	5,800	5,800	1,757	4,043
Total planning commission	12,000	12,000	8,028	3,972

TOWNSHIP OF MARKEY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Land Use:				
Salaries	10,400	10,400	10,524	(124)
Professional services	-	1,000	3,548	(2,548)
Supplies/travel/training	900	1,000	1,423	(423)
Total land use	11,300	12,400	15,495	(3,095)
Houghton Lake Building Agency	54,000	54,000	54,546	(546)
Total expenditures	397,566	406,166	374,639	31,527
Excess (deficiency) of revenues over expenditures	(8,341)	(16,941)	32,809	49,750
Fund Balance - Beginning of Year	425,382	425,382	425,382	-
Fund Balance - End of Year	<u>\$ 363,641</u>	<u>\$ 355,041</u>	<u>\$ 458,191</u>	<u>\$ 103,150</u>

TOWNSHIP OF MARKEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE/AMBULANCE FUND
YEAR ENDED MARCH 31, 2006

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance From Final Amended Budget</u>
Revenue				
Property tax revenue	\$ 312,000	\$ 312,000	\$ 318,843	\$ 6,843
Charges for services	70,000	70,000	94,563	24,563
Interest	3,500	3,500	10,347	6,847
Other	1,920	1,920	762	(1,158)
Total revenue	<u>387,420</u>	<u>387,420</u>	<u>424,515</u>	<u>37,095</u>
Expenditures				
Wages and fringe benefits	141,000	141,000	128,742	12,258
Supplies and small equipment	20,000	20,000	25,163	(5,163)
Repair and maintenance	44,000	44,000	20,023	23,977
Contractual services	53,500	53,500	48,088	5,412
Utilities	9,800	9,800	11,625	(1,825)
Insurance	23,000	23,000	19,564	3,436
Fuel/travel	4,500	4,500	4,130	370
Education and training	8,000	8,000	5,972	2,028
Capital outlay	40,000	40,000	-	40,000
Miscellaneous	5,140	5,140	3,163	1,977
Total expenditures	<u>348,940</u>	<u>348,940</u>	<u>266,470</u>	<u>82,470</u>
Excess of revenues over expenditures	<u>38,480</u>	<u>38,480</u>	<u>158,045</u>	<u>119,565</u>
Fund Balance - Beginning of Year	<u>423,489</u>	<u>423,489</u>	<u>423,489</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 461,969</u>	<u>\$ 461,969</u>	<u>\$ 581,534</u>	<u>\$ 119,565</u>

TOWNSHIP OF MARKEY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD FUND
YEAR ENDED MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenue				
Property tax revenue	\$ 101,408	\$ 101,408	\$ 106,093	\$ 4,685
Interest	500	500	2,745	2,245
Other	13,300	13,300	-	(13,300)
Total revenue	115,208	115,208	108,838	(6,370)
Expenditures				
Road construction and repairs	120,552	120,552	90,669	29,883
Road signs and other	5,650	5,650	1,437	4,213
Total expenditures	126,202	126,202	92,106	34,096
Excess (deficiency) of revenues over expenditures	(10,994)	(10,994)	16,732	27,726
Fund Balance - Beginning of Year	146,230	146,230	146,230	-
Fund Balance - End of Year	<u>\$ 135,236</u>	<u>\$ 135,236</u>	<u>\$ 162,962</u>	<u>\$ 27,726</u>

TOWNSHIP OF MARKEY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRASH FUND
YEAR ENDED MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenue				
Property tax revenue	\$ 121,000	\$ 121,000	\$ 145,800	\$ 24,800
Interest	1,800	1,800	4,093	2,293
Total revenue	122,800	122,800	149,893	27,093
Expenditures				
Contract charges	135,000	135,000	139,066	(4,066)
Miscellaneous	2,650	2,650	1,694	956
Total expenditures	137,650	137,650	140,760	(3,110)
Excess (deficiency) of revenues over expenditures	(14,850)	(14,850)	9,133	23,983
Fund Balance - Beginning of Year	181,732	181,732	181,732	-
Fund Balance - End of Year	<u>\$ 166,882</u>	<u>\$ 166,882</u>	<u>\$ 190,865</u>	<u>\$ 23,983</u>